GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:4227
ANSWERED ON:11.08.2017
New Legislation to Check Fraud
Biswas Shri Radheshyam

Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) whether the Government proposes to bring in new legislative measures or to repeal the Companies Act, 1956 by bringing in a new Companies Act;

(b) if so, the details thereof and the reasons therefor; and

(c) the extent to which the replacement of the Companies Act is likely to help in checking frauds committed by the Companies against investors?

Answer

THE MINISTER OF STATE (SHRI ARJUN RAM MEGHWAL)
IN THE MINISTRY OF CORPORATE AFFAIRS (???? ?????? ??? ??????)
???????? ????? ???????? ??? ????? ??????

(a) to (b):- The Companies Act, 2013 (the Act) was notified on 29th August, 2013 and replaces the Companies Act, 1956 to the extent the provisions of the new Act are commenced. All except three sections of the Act, and certain sub-sections/clauses, have been commenced as on date.

(c) Companies Act, 2013 has stringent provisions aimed at, inter alia, checking fraud and diversion of funds raised from investors. The term 'Fraud' has been defined and Section 447 of the Companies Act, 2013 provides for punishment for fraud, which is imprisonment of minimum of three years where the fraud in question involves public interest. This is expected to act as a deterrent for fraud against investors. Provisions are also made for reporting of a fraud observed during the course of audit by the Statutory Auditor to the Board of Directors in all cases and also to Central Government in specified cases.
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